

Assembly Bill No. 1901

CHAPTER 957

An act to amend Section 50675.4 of, and to add Section 50898.2 to, the Health and Safety Code, relating to housing.

[Approved by Governor September 29, 2000. Filed
with Secretary of State September 30, 2000.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1901, Steinberg. Housing: construction: prevailing wages.

The existing Multifamily Housing Program administered by the Department of Housing and Community Development requires a project sponsor to agree to set and maintain affordable rent levels for assisted units in order to be eligible to receive a loan. Also, provisions of AB 2870, which has been enacted and will become operative January 1, 2001, to be known as the Downtown Rebound Program, require the department to make grants and loans for specified urban housing projects, subject to specified restrictions.

This bill would additionally require project sponsors under both of those programs to agree to pay prevailing wages with respect to construction, as specified. The bill would require the department to require, as a condition of loan closing, a signed certification that prevailing wages have been or will be paid.

The people of the State of California do enact as follows:

SECTION 1. Section 50675.4 of the Health and Safety Code is amended to read:

50675.4. (a) To be eligible to receive a loan, a proposed project shall involve one or more of the following activities:

(1) The development and construction of a new transitional or rental housing development.

(2) The rehabilitation, or acquisition and rehabilitation, of a transitional or rental housing development.

(3) The conversion of a nonresidential structure to a transitional or rental housing development.

(b) In the case of rehabilitation projects, to be eligible to receive a loan, the loan shall be necessary to avoid increases in monthly debt service that have either of the following effects:

(1) Result in rent increases causing permanent displacement of persons of lower income residing in the development prior to rehabilitation.

(2) Make it economically infeasible to accept subsidies available to provide affordable rents to persons of lower income, if the sponsor agrees to accept the subsidies.

(c) To be eligible to receive a loan, the sponsor shall agree to both of the following:

(1) To set and maintain affordable rent levels for assisted units.

(2) To the payment of prevailing wage rates with respect to construction assisted through the program. In implementing this paragraph, it is the intent of the Legislature that this requirement apply to construction work that is dependent on the commitment of program funds in order for construction to proceed. Notwithstanding any other provision of law, the department's enforcement responsibilities shall be limited to the imposition of this requirement through the lending documents. The department shall require, as a condition of loan closing, a signed certificate that prevailing wages have been, or will be, paid in conformance with the requirements of Chapter 1 (commencing with Section 1720) of Part 7 of the Labor Code and that labor records shall be made available to any enforcement agency upon request. The requirements of this paragraph shall not apply to projects for which program funds are used exclusively to achieve lower rents and to pay associated administrative costs.

SEC. 2. Section 50898.2 is added to the Health and Safety Code, to read:

50898.2. (a) Funds awarded pursuant to Item 2240-107-0001 of Section 2.00 of the Budget Act of 2000 for the purposes of the Downtown Rebound Program established pursuant to this chapter shall not be subject to the requirements of Chapter 2.5 (commencing with Section 11340) of Part 1 of Title 2 of the Government Code.

(b) The department may use up to 5 percent of the amounts appropriated for this program for administration.

(c) With respect to the appropriation in Item 2240-107-0001 of Section 2.00 of the Budget Act of 2000 for the Downtown Rebound Program established pursuant to this chapter, the following provisions shall apply:

(1) Seventy-six percent of that appropriation shall be used by the department for the purpose of making loans to project sponsors for the adaptive reuse of vacant or underused commercial or industrial structures into residential rental housing units for initial rental to households having an income not exceeding 150 percent of the area median income, subject to the following restrictions:

(A) Loans for units not subject to subparagraph (D) shall be at 5 percent simple interest. Loans for units subject to subparagraph (D) shall be at 3 percent simple interest. All principal and interest shall be due and payable in 20 years.

(B) Assistance for units not subject to subparagraph (D) shall not exceed twenty thousand dollars (\$20,000) per unit. Assistance for

units subject to subparagraph (D) shall not exceed forty thousand dollars (\$40,000) per unit.

(C) The amount of the loan, in combination with all debt recorded in a senior position to the loan, shall not exceed 90 percent of the appraised after-rehabilitation value of the security for the loan.

(D) Twenty percent of the units in the project shall be reserved for households having an income equal to 50 percent or less of the area median income, or 40 percent of the units shall be reserved for households having an income equal to 60 percent or less of the area median income. The department shall ensure the continued affordability of all units designated by the sponsor to fulfill these requirements for a period of 20 years. However, notwithstanding subparagraph (A), if assistance is provided for these units through any program funded through Chapter 6.7 (commencing with Section 50675) of Part 2, the units shall be subject to the use restrictions, limitations, and provisions contained in that chapter. These units shall be reasonably distributed within each building contained in the project, with no less than 10 percent of the units in each building fulfilling the requirements of this subdivision.

(E) The sponsor shall agree to the payment of prevailing wage rates with respect to construction assisted through the program. In implementing this subparagraph, it is the intent of the Legislature that this requirement apply to construction work that is dependent on the commitment of program funds in order for construction to proceed. Notwithstanding any other provision of law, the department's enforcement responsibilities shall be limited to the imposition of this requirement through the lending documents. The department shall require, as a condition of loan closing, a signed certificate that prevailing wages have been, or will be, paid in conformance with the requirements of Chapter 1 (commencing with Section 1720) of Part 7 of the Labor Code and that labor records shall be made available to any enforcement agency upon request.

(2) Two million four hundred thousand dollars (\$2,400,000) of that appropriation shall be used by the department for planning grants as specified in subdivision (b) of Section 50898.1.

(3) The balance of that appropriation shall be available for uses authorized by subdivision (a) of Section 50898.1.

SEC. 3. Section 50898.2 of the Health and Safety Code, as added by Section 2 of this act, shall supersede Section 50898.2 of the Health and Safety Code, as added by Chapter 83 of the Statutes of 2000, which section shall not become operative.